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Chairman: Mr. Asadi ..... (Islamic Republic of Iran)

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The meeting was called to order at 3.10 p.m.

General debate (*continued*)

1. **Mr. Diseko** (South Africa) said that his delegation supported the statement made by Indonesia on behalf of the Group of 77 and China. The recent conference of the Heads of State or Government of the Movement of Non-Aligned Countries had noted, with regard to the deepening and widening processes of globalization and liberalization, that the rapid growth in the flows of trade, finance, information and technology had brought with it new opportunities and prosperity, particularly to the developed countries. However, in many developing countries, especially the least developed countries, that growth had brought about economic dislocation, social disruption, financial crisis, and a deepening marginalization from the global economy. Overall, the differences between the developed and developing countries, as well as the inequalities between the rich and poor, had reached alarming levels. The financial crisis in South-East Asia, which had spread to other countries outside that region, signalled the need to regulate the movement of short-term financial flows, as had been emphasized at the General Assembly's recent high-level dialogue on the social and economic impact of globalization and interdependence and their policy implications. For the developing countries to be able to extricate themselves from the poverty, hunger, gross social inequality and other negative factors impeding their development, the developed countries should reverse the downward trend in official development assistance (ODA) flows, increase their support for aid programmes, and fulfil commitments made at conferences and other forums to provide financial resources for development. Despite the increasing role of private investment in development, some countries could not attract adequate private capital and needed official assistance as an essential complement to their efforts to build capacity, eradicate poverty, protect the environment and develop their physical infrastructure. It was to be hoped that the convening of an international conference on the financing of development would serve as a forum for exploring all possibilities to mobilize adequate and assured resources in that regard.

2. The problem of chronic external indebtedness further exacerbated the lack of financial flows for development. While the Heavily Indebted Poor Countries (HIPC) Debt Initiative was to be welcomed, the pace of application and criteria and time-frames for eligibility were a cause for concern. In that respect, his delegation concurred with the assessment of Africa's debt in the Trade and Development Report, 1998, that the international community should not adopt a passive stance on Africa's economic development. Africa's leadership had long worked on the premise that the primary responsibility for the development of Africa lay with the Africans themselves. The continent's countries had experienced a grave deterioration in the terms of trade, and their access to foreign direct investment (FDI) was extremely limited. His delegation hoped that, apart from the regional initiatives already in place, special measures would be undertaken to assist African countries to strengthen their domestic environment for investment and provide incentives for institutions and businesses to invest in Africa.

3. His delegation welcomed the report of the Secretary-General on the causes of conflict and the promotion of durable peace and sustainable development in Africa (A/52/871–S/1998/318). Praiseworthy efforts had been made by United Nations bodies, programmes and funds and the specialized agencies to address gross inequality, hunger, poverty and deprivation, but the decline of core resources to fund development initiatives merited concern. While there was a continuing need to search for new funding sources, non-core resources should not be used either as a substitute for core resources or as an excuse for reducing them. The increase of core resources should be the cornerstone of development funding. South Africa supported the work of the Special Unit for Technical Cooperation among Developing Countries, and looked forward to the commemorative meeting of the twentieth anniversary of the adoption of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries. The Special Unit needed to maintain its identity within the United Nations Development Programme (UNDP) to continue being effective, while being complemented by other development agencies of the United Nations system.

4. The rule-based international trading system as institutionalized through the World Trade Organization (WTO) facilitated the integration of countries into the global trading system. Nevertheless, significant tariff and non-tariff barriers, tariff peaks and escalation continued to affect products of export interest to developing countries. Of additional concern was the use of questions of social order for protectionist purposes under WTO auspices.

5. Despite some progress towards the achievement of the goals of the Rio Earth Summit, the pace had been very slow, as indicated by the disappointing conclusions of the special session to review the results of five years' implementation of Agenda 21. It was evident that the funds and political will dedicated to the realization of sustainable development had been inadequate. In the meantime, the disparities between developed and developing countries were increasing and,

combined with the growing impoverishment of large parts of the world's population, constituted a fundamental denial of the right to development. The social, economic and environmental challenges extended far beyond the capacity of individual countries and required a global effort to protect the earth's ecosystem and to promote social development and economic growth in a manner which would also preserve natural resources. Sustainable development could be achieved only through cooperation and partnerships between North and South, based on the principle of common but differentiated responsibilities. All countries had an obligation to protect the environment. Sustainable development could be achieved by working together and sharing the responsibilities in a fair and equitable manner.

6. **Mr. Mwakawago** (United Republic of Tanzania) said that his delegation associated itself fully with the statement of Indonesia on behalf of the Group of 77 and China and the statement of Bangladesh on behalf of the least developed countries. In the recent past slow growth in global economic activity had been witnessed. The major causes included the continued decline in commodity prices, particularly the price of oil, and the volatility of financial markets. Many developing countries had registered improved economic performance as a result of initiatives to reform their economies. However, their prospects for sustained economic growth and development continued to be dampened by their increased vulnerability to the unfavourable external economic environment, a situation that was even more critical for the least developed countries. Concerted action by the international community and the establishment of an enabling environment were imperative in combating the poverty affecting those countries.

7. The Second Committee had the urgent task of addressing areas critical to the revitalization of international cooperation for development. In that regard, the substantial decline in official development assistance flows should be mentioned. The total share of the gross national product (GNP) allocated to such assistance among Development Assistance Committee countries had dropped from 0.33 per cent in 1992 to 0.25 per cent in 1996. Likewise, the share of aid to the least developed countries as a proportion of the combined GNP of the Development Assistance Committee donor countries had declined from 0.09 per cent in 1990 to 0.06 per cent in 1995, while the agreed target was between 0.15 per cent and 0.2 per cent by the year 2000. The development partners had a political and moral obligation to honour internationally agreed targets, with particular attention to the aid requirements of the least developed countries.

8. The external debt crisis seriously jeopardized the development efforts of developing countries. Debt service absorbed a third of their export earnings, exceeding their capacity to pay. As a result, social services were having to be reduced at the same time as the number of poor increased, thereby intensifying social dislocation and threats to national security and peace. It was important for the Paris Club further to enhance the debt-relief measures based on the Naples terms, and the criteria for eligibility for the Heavily Indebted Poor Countries (HIPC) Debt Initiative should be made more flexible so that many of the least developed countries could benefit from it.

9. Since trade accounted for only a small share of the economic activity in developing countries, particularly the least developed countries, they were in a comparatively weak position to benefit from globalization and liberalization. A package of financial, technical and technology transfer measures was required to assist those countries in capacity-building to improve their trade performance and give impetus to their industrialization. His delegation therefore welcomed the decision of the General Assembly to hold the Third United Nations Conference on the Least Developed Countries in 2001 and the joint initiative by the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD), the UNCTAD/WTO Centre for International Trade, the International Monetary Fund (IMF), the World Bank and UNDP to create an integrated framework for trade-related technical assistance to the least developed countries.

10. In the implementation of Agenda 21, the concerns of financial resources and transfer of environmentally sound technology must be resolved. The development partners must demonstrate political will to meet their commitments for increased flows. For instance, the resources of the Global Environment Facility (GEF) must be increased and its disbursement procedure be made more flexible in order to allow more countries to benefit from it.

11. In Africa, the difficult economic conditions were aggravated by internal conflicts and refugee problems. Collective action by the international community, coupled with Africa's own efforts to achieve sustainable economic growth and development, would go a long way towards solving its problems. Economic and technical cooperation among developing countries was a viable tool for promoting economic growth, technological capacity and accelerated development among the countries of the South. In order to succeed in that endeavour, however, his delegation appealed to the international community to provide the necessary financial and technical support to its own programmes in trade, investment, production and poverty eradication.

12. **Mr. Aung** (Myanmar) said that his delegation associated itself with the statement by Indonesia on behalf of the Group of 77 and China. Currently, it seemed appropriate to question the macroeconomic policy, directives of the Bretton Woods institutions, including the all-out liberalization advocated by IMF. Perhaps consideration should be given to adding a system of checks and balances to the globalization and liberalization process, particularly in vulnerable economies. As mentioned in the Agenda for Development, sustained economic growth was essential to the economic and social development of all countries and to improve standards of living through the eradication of poverty, hunger, disease and illiteracy, the provision of adequate shelter and secure employment for all, and the preservation of the environment.

13. The debt-service burden prevented many countries, particularly the least developed countries, from gaining adequate resources to achieve sustainable development. According to the latest survey, 48 poor countries had no hope of overcoming their debt problems. Therefore, the World Bank HIPC Debt Initiative must be fully implemented in order for the worst affected countries to benefit from it. In addition to obtaining debt relief, those countries must also be afforded the means to increase their earnings. His delegation thus welcomed the Ministerial Communiqué on Market Access adopted at the 1998 substantive session of the Economic and Social Council, which contained proposals for enhancing market access for products from developing countries, in particular the least developed countries, and recommended that in future trade negotiations, the issues of tariff and non-tariff barriers, high variance and tariff peaks and escalation should be addressed. The adoption of such contingency measures as anti-dumping and countervailing duties, and of unilateral actions, should be subjected to closer multilateral monitoring in order to ensure consistency with multilateral rules and obligations.

14. Notwithstanding all the progress achieved by human beings in science and technology, they were still at the mercy of mother nature, weather phenomena such as El Niño, too much rain, droughts, earthquakes and floods that resulted in casualties, even in developed countries. While it was not possible to control such phenomena, efforts certainly could be made, through adequate preparation, to try to ensure that there would be minimal loss of life and property. An early warning system was needed in that regard and developed countries should help developing countries, which were incapable of setting up such systems, to do so.

15. During the previous decade, about 12 major United Nations conferences and summits had been held, resulting in the adoption of various programmes, plans and platforms of action whose implementation required considerable amounts of resources. It had been agreed that countries would provide resources to that end in accordance with their possibilities so that development would be achieved in equity at all levels in the family of nations. Although good intentions had been demonstrated, the lack of political will and enthusiasm to provide the funds and resources promised had made steady progress towards the desired goals erratic. It was time to take stock of what was happening in the world since, given the speed at which events were unfolding as a result of globalization, nobody in any part of the world was immune from adverse events affecting others elsewhere. Therefore, those problems should be considered in their correct perspective in order to try to find collective appropriate solutions to them.

16. **Mr. Singh** (India) recalled the recent events that had marked a watershed in the manner in which the Committee conducted its work, namely, the dialogue initiated between the United Nations and the Bretton Woods institutions, the high-level dialogue on trade issues organized by the Economic and Social Council, in which the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) had participated; and the variety of processes to improve the existing machinery for coordinated and integrated follow-up to the recent cycle of global conferences as well as to revitalize and restructure the work of the United Nations in the economic and social spheres. That spirit of partnership needed to be further built upon in addressing crucial issues at the current session.

17. While the 1990s had been characterized by globalization and the rapid growth of international trade and financial flows in many economies, they had also revealed a parallel enhanced global vulnerability, particularly through financial shocks. The South-East Asian economic crisis, that had plunged several of the fastest growing economies in the world into a severe recession, had shaken confidence in the stability of the international financial system. None of the participants in the financial system had anticipated that crisis, casting doubt on the quality of market intelligence on which the private sector participants had taken decisions and also on the quality of surveillance exercised by the International Monetary Fund (IMF). The crisis had proved difficult to manage, partly because of its rapid spread to other countries, but more importantly because the usual prescriptions had either proved ineffective or would have involved a much longer transition, which would have caused greater losses of output and social distress. The possibility of extended contagion effects beyond the Asian region, combined with the limitations on the resources available to IMF for handling a large number of crises simultaneously,

suggested that the current international financial system was inherently unstable. The threat of a worldwide deflationary spiral loomed large.

18. Under those circumstances, the international community was currently engaged in searching for an appropriate architecture for the international financial system, which should include the following basic elements: better regulation and supervision in all countries, based on a common set of norms; better information and transparency; and more effective surveillance. However, many questions remained unresolved, including how to make surveillance more symmetrical so that it focused not just on the financial system of recipient countries, but also on the financial institutions in the capital exporting countries; whether IMF was sufficiently equipped to serve as a lender of last resort in the international financial system or whether a somewhat different type of institution was needed; whether other instruments and mechanisms for crises management were needed; how to resolve problems associated with large volumes of private sector debt, including equitable burden sharing between debtors and creditors in the event of a crisis; the stage at which private sector creditors could be involved in an orderly debt workout; whether full convertibility of the capital account introduced too much potential instability in the system which developing countries might not be able to handle; and whether developing countries should concentrate on liberalizing trade and direct investment flows as the major sources of benefit from integrating with the world economy, and maintain a more cautious approach to liberalizing capital flows generally until they were better able to manage them.

19. At the same time, long-term issues such as the prospect of a slow-down in output and trade in developed and developing countries, should be borne in mind. The latest *Trade and Development Report* of UNCTAD underscored the high costs for global growth of the decline in the Asian and Japanese markets as well as the prospects of recession. Moreover, according to the *World Economic and Social Survey*, there had been a decline of almost $27 billion in the net transfer of resources to developing countries in the previous year; that trend was likely to continue in the current year as well. The same source also indicated that most developing countries would need more rapid growth in output if they were to meet important social and development goals. However, a deceleration in economic growth was expected to reduce the number of high-growth countries to only 24. Under such circumstances, many of the traditional concerns of developing countries remained valid, namely, the need to increase official development assistance, ensure better terms of trade, provide enhanced market access to products from developing countries, achieve increased and stable and long-term foreign investment flows, and provide developing countries access to technology on preferential terms.

20. As far as the topic of financing for development was concerned, the working group envisaged under General Assembly resolution 52/179 should begin its work not later than January 1999. Its terms of reference should be as broad as possible so as to cover issues ranging from measures to contain the volatility of short-term capital flows and enhance stable, predictable and long-term investment, to concessional financing for development, the provision of resources through trade and other issues. The work of the working group could be supplemented through the continuation of the informal dialogue initiated the previous year with the participation of all stakeholders. His delegation welcomed the renewal of the dialogue on the economic and social implications of globalization, which had helped to rebuild confidence, the bedrock of partnership. His delegation hoped that such a dialogue would continue in years to come on macroeconomic issues.

21. Turning to the question of trade and development, he said that, while trade liberalization was expected to bring about a considerable increase in global income, it must be recognized that, since the early 1970s, the least developed countries had suffered a cumulative decline of 50 per cent in their terms of trade, while the developing countries as a whole had lost $290 billion between 1981 and 1991, which could be attributed to the decline in commodities prices. The developing countries were particularly concerned that certain areas of export that were of interest to them, such as agricultural and textile products, remained highly protected. Such products accounted for 24 per cent of the exports from sub-Saharan Africa, 14 per cent of those from Asia and 8 per cent of those from Latin America; however, they were subject to quotas, above which high tariffs were applied. The foreign exchange losses of developing countries as a result of the quotas established under the Multifiber Arrangement ranged from $4 billion to $15 billion annually.

22. Moreover, the subsidies granted to agriculture in the developed countries had a far-ranging adverse impact on the developing countries as a result of depressed international commodity prices. It had been estimated that, if the industrialized countries were to reduce agricultural subsidies and protection by just 30 per cent, developing countries would earn an additional $45 billion a year. Other major issues in the area of trade included tariff peaks and escalations, non-tariff barriers, the establishment of quotas, anti-dumping measures, export restraints and increased recourse to the application of labour, environmental and phyto-sanitary standards. His delegation believed that it was

important to adopt concrete measures with regard to the dialogue on trade issues, held in 1998 within the framework of the Economic and Social Council, in which many of those issues had been discussed.

23. Much remained to be done by the international community in the area of poverty eradication. It was no longer possible to attribute underdevelopment to policies that impeded the functioning of the market or the full development of individual entrepreneurship, since the developing countries had adopted market-oriented structural reforms, at considerable cost to themselves. Nonetheless, little had been done to reduce their vulnerability to shocks resulting from an inclement international economic environment.

24. Globalization also affected the transfer of technology to developing countries, through the imposition of intellectual property rights involving prohibitive costs. Developing countries increasingly faced obstacles in gaining access to state-of-the-art technologies owing to the export restrictions imposed by technology owners on the grounds of their possible dual use. Such exclusionary measures must be put to an end, since access to technology on reasonable terms determined whether countries could take advantage of the opportunities offered by globalization.

25. The environment was among the priority issues before the Committee. Following the Rio Conference, it had been recognized that the achievement of the objectives of Agenda 21 with regard to the environment would place an additional burden on the developing countries, and the search for balance between developmental and environmental imperatives had led to the creation of a framework in which assistance by the international community was to complement and support the efforts of developing countries. Nevertheless, the special session of the United Nations for the purpose of a review of Agenda 21 had recognized that, while there had been considerable progress at the national level, there was an urgent need to address the developed countries' failure to fulfil their commitments concerning assistance. His delegation was deeply concerned at the discernible effort to erode the framework of partnership forged at Rio, in particular the principle of common but differentiated responsibilities and to prescribe in its place equal obligations and liabilities for unequal partners. His delegation believed that, for the time being, the developing countries should not be made to assume additional obligations, since the developed countries had made scant progress in implementing their commitments concerning, *inter alia*, the provision of resources and the transfer of technology.

26. The critical economic situation of Africa required priority attention by the international community. It was necessary to find a solution to the debt problems of African countries, diversify their economies, improve market access on preferential terms and, in particular, increase resource flows and facilitate the transfer of technology. Another constant cause of concern to the international community was the plight of the least developed countries, which were marginalized in a world economy driven by the forces of globalization and liberalization. Sadly, only 20 years after the Green Revolution and at a time of unparalleled prosperity, the populations of many least developed countries had less to eat than they had had 10 years earlier. The next United Nations Conference on the Least Developed Countries would provide a valuable opportunity to carry out a thorough study of the overall development problems of those countries. Special attention and support must also be given to the small island developing States, whose development problems needed to be addressed in a holistic manner that took into account their need for special and differential market access, since their economies were dependent on a narrow band of commodities. In that connection, the Barbados Programme of Action constituted an appropriate tool for enabling those States to achieve sustainable development; the international community must provide the necessary support to implement it. Similarly, South-South cooperation must be dynamized; to that end, the decisions adopted recently in Durban by the Summit of the Movement of Non-Aligned Countries provided valuable guidance.

27. **Mr. Baali** (Algeria) expressed his delegation's support for the statement delivered by the representative of Indonesia on behalf of the Group of 77 and China concerning the main agenda items. When the Asian crisis had erupted the previous year, few could have imagined the tremendous repercussions it would have on the world economy. It was now believed that it might eventually trigger a genuine worldwide recession. Indeed, it had already caused a drop in the expected levels of world economic growth and international trade. In its most recent biannual report on the outlook of the world economy, the International Monetary Fund predicted world growth of only 2 per cent in 1998 and 2.5 per cent in 1999, compared to 4.1 per cent in 1997.

28. The growing interdependence that characterized international economic relations, the phenomenon of globalization, and their development and prospects conferred a new dimension on the work of the Committee. The debates held during the high-level dialogue of the General Assembly on the theme of the social and economic impact of globalization and interdependence and their policy

implications had highlighted the concerns raised by globalization and the international consensus being forged on the need for a global response to the global challenges it posed. The United Nations must take into account the uncertainties of the current international economic situation. It must continue to play a decisive role in integrating international cooperation for development with a view to creating an international environment that fostered international understanding and cooperation, which were, in turn, conducive to the fulfilment of the important commitments undertaken at the various United Nations conferences.

29. At a time when economic issues were being raised with such urgency and the international community was redoubling its efforts to provide economic and institutional responses to the problems of globalization, there were some attempts in the United Nations to curtail the Organization's role in that vital area. While it was true that, several years earlier, appropriate relations of cooperation had been established with other agencies and organizations, particularly the Bretton Woods institutions, the role of the United Nations system in that framework must be solemnly reaffirmed and the necessary resources and tools must be made available to it in order to enable it to respond adequately to numerous requests from countries.

30. Although all the Committee's agenda items were of paramount importance, the question of financing for development should be singled out, since it affected all other areas of economic and social development. In order to guarantee international security and stability, the United Nations must also, in the context of the current reform process, reassess and redefine its responses to current problems, particularly extreme inequalities with respect to international trade and capital flows, the continual deterioration of the terms of trade, external debt, population growth, the problem of migration, the depletion of natural resources and environmental constraints.

31. The process of restructuring and revitalizing the United Nations must be aimed at strengthening the Organization's capacity to respond better to the concerns of the international community. During the current session, the Second Committee was to carry out the triennial review of operational activities for development. It was to be hoped that, within the framework of that review, the questions of greatest interest to the developing countries would be considered, not only with respect to the restructuring of operational activities but also with respect to the situation of financial resources for development. In that context, he wished to reiterate the developing countries' concern that the steady decline in such resources could have an adverse impact on the very nature of development activities carried out by the United Nations agencies. Some donor countries were more willing to help economies in difficulty where their own interests were at stake, than to help countries that had introduced difficult economic reforms.

32. The steady decline in official development assistance gave cause for serious concern and was an obvious breach of the commitments undertaken by donor countries in adopting the relevant General Assembly resolutions. The alarm expressed in that connection by the Secretary-General and the Group of 77 and China had not had a favourable echo in the international community. While the developing countries had utilized their own resources in order to achieve the basic objective of sustainable development, it was clear that those efforts would be inadequate without substantial support from the international community.

33. **Mr. Jordán Pando** (Bolivia), said that, in 1997, his Government had formulated an Operational Plan of Action for implementing its Comprehensive National Economic Development Programme with the aim of increasing economic growth from 4 per cent in 1997 to 7 per cent in the year 2002 and reducing inflation from 7 per cent in 1997 to 4 per cent in the year 2002. Despite adverse factors such as the El Niño phenomenon, economic growth had been 4.75 per cent in the first five months of 1998. Inflation in the first six months had been 3.29 per cent and, while that was higher than the previous year, it would be possible to attain the goal of 6.5 per cent set for 1998. Another objective of the Plan had been to maintain a low fiscal deficit. The deficit as at June 1998, taking into account the reform of the social security system, had been 0.47 per cent. Without taking social security reform into account, the national budget had shown a surplus representing 1.46 per cent of the gross domestic product during the period from January to June 1998. He stressed that, while public investment in the first quarter of 1998 had been 25.33 per cent below that of the previous year, it was now being channelled into the social sectors, including health, education, basic hygiene and town planning.

34. The $402 million increase in deposits in the Bolivian banking system reflected the increased confidence of the people, despite the lower rate of interest paid on bank accounts. Thus, the bank portfolio had increased by more than $500 million. Between June 1997 and June 1998, operations on the Bolivian stock exchange had increased by approximately $620 million. In June 1998, net international reserves had amounted to $1,046,000 which guaranteed the country's purchasing power and the stability of its foreign exchange system. The first quarter of 1998 had witnessed an increase in exports by more than 5 per cent compared to

the first quarter of the previous year; imports had increased by $65 million, attributable to the increase in the import of raw materials and other inputs for production.

35. In May 1998, the external debt of Bolivia had amounted to $4,132,000, in other words, $100 million less than in the previous year, which was attributable to the reduction in the bilateral external debt. With regard to the agreement signed with IMF in November 1997 within the framework of the Enhanced Structural Adjustment Facility, as at June 1998, positive results had been achieved with respect to all the goals set, making it possible to implement as from September a debt relief programme under the Heavily Indebted Poor Countries' (HIPC) Debt Initiative. The net real value of that debt relief had been approximately $450 million.

36. In short, the economic situation of Bolivia was qualitatively and quantitatively more stable. Growth, in gross terms, had been 4.75 per cent, which represented sectoral growth, particularly in the services sector, but not significant economic and social development. As in most developing countries, growth indexes were low, making it impossible to reduce poverty or improve the employment situation. The high bank interest rates were prohibitive for development activities, although they inevitably brought an increase in speculative operations. That predominance of greater returns on speculative capital led to an increase in trade financing and financing for consumer goods and to a reduction in financing for development.

37. The economic situation of Bolivia and its relations with international financial organizations constituted a clear example of the great efforts being made by developing countries seriously affected by the international economic crisis, which was placing national economies at risk. The international community must not allow the impact of the crisis to destroy the smaller and more vulnerable economies. In his statement to the General Assembly, the Minister for Foreign Affairs and Worship of Bolivia had indicated the pressing need to take swift and concerted action to control the volatility of the financial markets by establishing discipline and common incentives and sanctions to correct their main flaws. "We have globalized the crisis, poverty and unemployment; let us also globalize the commitment to resolve them", he had said. His delegation believed that an appropriate mechanism must be found to create a new international economy, which might be known as one of "solidarity". Ways and means must be found to balance the results of development by ensuring a more equitable distribution of wealth in order somehow to reduce poverty and unemployment. It was also important to find new ways of gauging international economic performance, not only by using formal economic indicators but also by measuring the informal and even the illegal economy in order to have a true measure of the global, or total, economy.

38. Lastly, Bolivia was extremely concerned that the United Nations Development Programme (UNDP) was abandoning its role as a development financing agency and becoming an agency which merely administered donor resources, a change that had very serious consequences for small, relatively less developed and more backward and disadvantaged countries, since donors did not necessarily finance projects that were most appropriate to such countries. It was necessary to convene an international conference on the financing of development, which would be the conference of the millennium, because the gap between the developing and developed countries could not be allowed to keep on growing, nor could 15 per cent of the world's population retain 85 per cent of its income, while the remaining 85 per cent lived on 15 per cent. The Bolivian delegation wished to commend in that regard the valuable contribution to development being made by the Nordic countries, which contributed between 0.8 per cent and 1.1 per cent of their gross domestic product (GDP), as well as the help they provided in facilitating the reduction of the external debt of the relatively less developed countries that were burdened by high levels of international debt.

39. **Mr. Azaiez** (Tunisia) associated himself with the statement made by the Group of 77 and China. It was important to recognize the positive effects of globalization, such as the rapid integration of markets for goods and services and, to some extent, for capital and technology. The increased interdependence of States had resulted in the more rapid international dissemination of macroeconomic decisions and, consequently, of their impact on the global economy as a whole. That meant that measures adopted domestically by the developed countries had a direct impact on the economic growth and well-being of the developing countries. In view of that situation, it was more than ever necessary to maintain an international economic environment that was conducive to development and growth, particularly in the States of the south, which were more vulnerable to fluctuations in the global markets.

40. Since the early 1990s, a number of financial institutions and United Nations agencies, including the United Nations Conference on Trade and Development (UNCTAD), had warned of the dangers inherent in the immediate integration, without a period of transition, in the global capital markets, particularly for the developing countries. That concern was all the more justified given the already noticeable trend towards increased financial activity relative to economic activity. The globalization of the

financial sector, which some had considered to be the logical consequence of economic liberalization and a powerful engine of development and sustained growth, had also proved to be a cause of financial instability. It was no wonder then that in its analysis of the situation, the Trade and Development Report, 1998 stated that the financial markets had destabilized the developing countries and made them more vulnerable to financial deregulation which, as could be seen from the Asian crisis, had increasingly higher costs in the areas of social peace and the economy. Those consequences could not be separated, since modern capital markets were organized in ways designed not so much to generate income and employment but to obtain profits from the purchase and sale of assets. The globalization of the financial sector had not brought about the prudent and gradual integration in the world economy which the countries of the south had expected.

41. In order to redress the current imbalances, it was necessary to strengthen the participation of the developing countries in all levels of the economic decision-making process, globally, within the framework of the United Nations and in the Bretton Woods institutions. The international community and United Nations agencies, in cooperation with the Bretton Woods institutions, should try to establish mechanisms for avoiding the negative consequences of globalization and the cyclical upheavals that disrupted economies, particularly those of the developing countries. In that connection, Tunisia supported the establishment of effective multilateral mechanisms to control international capital flows and currency fluctuations with the aim of ensuring fair competition and organizing financial operations on sound and solid bases. In that regard too, it reaffirmed its support for the proposal of the Movement of Non-Aligned Countries that a high-level consultative mechanism should be established between the countries of the south and the Group of Eight Major Industrialized Countries. It hoped that during the Annual Meeting of the Board of Governors of the International Monetary Fund (IMF) to be held in Washington decisions would be taken to contain the current international economic crisis and, above all, to design a new multilateral financial architecture that would also take account of the interests of the developing countries.

42. On the subject of development cooperation, the Secretary-General in his most recent report on the work of the Organization (A/53/1) recalled that the challenge of development remained paramount in a world where one fifth of humanity was forced to fend for itself on a meagre dollar a day. He also drew attention to the fact that, despite one of the longest periods of economic expansion in history, the volume of external aid to developing countries had declined steadily throughout the previous decade and currently stood at only 0.19 per cent of the gross domestic product (GDP) of the seven richest countries. Foreign direct investment had not compensated for the decline in aid. Meanwhile, many developing countries remained subject to the crushing burdens of external debt. Even though official development assistance represented a tiny fraction of the overall resources which the industrialized countries earmarked for development, it was an important source of resources, particularly for African countries.

43. Specifically with regard to Africa, after more than a decade of negative flows, private capital had begun to return over the previous three years. That reversal was due, above all, to the macroeconomic stabilization measures which had been adopted by African countries, such as the implementation of reforms, the creation of stock exchanges, and privatization. Nevertheless, private capital flows were still not sufficient. Private investors, moreover, were little inclined to contribute to activities that did not generate immediate profits, such as the fight against poverty or the development of basic infrastructure. Consequently, official development assistance remained an essential source of external funding and a catalyst for economic growth. Tunisia was of the view that those developed countries which had reaffirmed their intention to earmark 0.7 per cent of their GDP for official development assistance should expand their aid programmes in order to achieve the agreed objectives.

44. It was also important to find equitable and lasting solutions to the problems of the developing countries' external debt and debt servicing. Despite some welcome developments in debt management strategies, many countries of the south, including the so-called middle-income countries, continued to face structural problems linked with their external indebtedness. The international community and, in particular, the financial institutions should consider new strategies for alleviating the debt burden so that developing countries could maintain their economic growth and achieve sustainable development. Multilateral debt represented a large proportion of the debt burden which paralysed growth in a number of developing countries. There again, the international financial institutions should consider new solutions that took account of each country's situation. In addition, the commercial banks should also propose new measures to resolve the problems of developing countries' commercial debt.

45. Independently of the importance of the international environment, each country must decide on the appropriate economic and social policies to achieve its own development. Considering its own needs, circumstances,

development priorities and the experience acquired since its independence, Tunisia had decided to give priority to its human resources as a source of wealth. It would also continue its reform policy, which envisaged the modernization of the financial system with the aim of strengthening its balance and its capacity to mobilize resources, control costs and improve the quality of its services. The establishment by the year 2001 of a programme consistent with those reforms would enable the banking system to comply with the international timetables for economic liberalization provided for in the General Agreement on Trade in Services (GATS).

46. **Mr. Konishi** (Japan) said that since the end of the cold war, North-South relationships were no longer viewed in the context of ideological confrontation between East and West. Therefore, development could and should be pursued purely in order to eradicate poverty and create better living conditions for all. To contribute to the realization of that goal, Japan had promoted a new development strategy which emphasized the need for ownership by the Government and the people of each developing country of the development process within its borders, and for a global partnership of all participants in that process. Ownership meant that a country possessed the determination to achieve that goal by defining its development objectives with full respect for its people's rights and dignity and mobilizing resources that were available locally, and then supplementing them with other resources. The principle of partnership assumed equality and mutual respect between developing and developed countries based on shared interests and responsibilities with respect to the development process. As responsible members of the international community, the developed countries had a moral responsibility to contribute to the eradication of poverty. In addition, the stability of developing countries and steady progress towards development were essential to world peace and prosperity. A true spirit of partnership would engender dialogue and understanding, which in turn would lead to concerted action to resolve such global issues as the environment and population.

47. Putting into practice the new development strategy required two complementary approaches: a comprehensive approach to obtaining the necessary financing, not only through official development assistance but also through foreign direct investment, along with strengthening of the socio-economic infrastructure in both material and institutional terms; and a more individual approach, taking into account local conditions and development initiatives in the developing countries. The new strategy should extend from the local community level to the national and international levels. In that context, his delegation highlighted the training and advisory services which the United Nations Centre for Regional Development in Nagoya, Japan, had offered for over 25 years.

48. In order to achieve the goals agreed by both developing and developed countries at the United Nations global conferences, it was necessary to establish an integrated set of indicators against which progress could be evaluated at the policy and operational levels in such areas as poverty, gender equality, environmental sustainability and access to primary health care and primary education. All the actors in the development process must bear in mind that the resources made available for development purposes were mainly public funds, which should be used in a transparent manner. Accordingly, performance must be monitored and evaluated against various indicators. The lessons learned and the results of the evaluation of previous programmes should be applied to improve the programming and budgeting of future development activities. Moreover, the effectiveness and proper monitoring and evaluation of such activities depended largely on the operation of the relevant coordination processes and mechanisms. Coordination was the joint responsibility of the developing countries, the developed countries and the multilateral agencies concerned at all levels. Because of the great importance it attached to that issue, Japan had hosted an Open Symposium on Development Cooperation in Tokyo in June, at which modalities of coordination had been discussed in detail.

49. As an indication of its interest in applying the new development strategy in Africa, Japan would host the second Tokyo International Conference on African Development (TICAD II) from 19 to 21 October 1998, with the United Nations and the Global Coalition for Africa as co-organizers. The primary theme would be reduction of poverty through accelerated economic growth and sustainable development and the integration of African economies into the global economy, but such issues as education, health, private sector development, agriculture, good governance and conflict prevention would also be addressed. The nations of Africa should recognize that, in order to resolve the problems to be addressed at the Conference, their political commitment was essential, and Africa's development partners should understand that it would be to their own benefit to share their experience and provide assistance to the African countries. The success of the meeting would depend on how effectively the participants could integrate its goals and objectives into their respective development programmes and how well the progress made in implementing its agenda for action could be monitored and evaluated by means of appropriate indicators. Therefore, it would be necessary to strengthen coordination among external partners as well as between

external and national partners, to promote regional cooperation and integration, as the African countries had done since the adoption of the Lagos Plan of Action in 1980, and promote South-South cooperation, especially between the countries of Asia and Africa.

50. With regard to the triennial comprehensive policy review of operational activities of the United Nations system, his delegation reaffirmed its support for the ongoing reform process in that area. Japan hoped that the establishment of the United Nations Development Assistance Framework would facilitate the effective and efficient use of the funds made available for development through enhanced coordination by United Nations entities. Once the Development Assistance Framework had been adopted and the development objectives of a particular country had been determined, each of the United Nations entities present in the field should formulate its cooperation programme in collaboration with its national partners, taking into account its comparative advantage over other United Nations agencies. Where possible, joint programming by United Nations bodies in the field should be pursued. His delegation supported the resident coordinator system, on which the success of the Development Assistance Framework largely depended, and it welcomed the measures taken to delegate authority to the field.

51. **Mr. Ka** (Senegal) said that his delegation associated itself with the statement of Indonesia on behalf of the Group of 77 and China. Globalization, which could offer both opportunity and the risk of marginalization, had thus far shown its negative side. Currently, there were major disparities and imbalances in the world. According to the latest *Human Development Report* issued by UNDP, while world consumption had risen to 24 trillion dollars, over a billion persons lacked the minimum necessary to live with dignity. Clearly, there was far to go to achieve the objectives enshrined in the Charter of the United Nations to promote social progress and raise the standard of living within a broad concept of freedom. It had been hoped that, with the end of the cold war, the enormous resources previously devoted to it would be redirected to economic and social development, but the concept of the distribution of the peace dividend was far from being realized. The economic and social imbalances which arose in the current turbulent period of history were morally unacceptable and dangerous from a political viewpoint because of the risk of destabilization they entailed.

52. Despite the many conferences held over the past decade, which had contributed to the formulation of concepts and commitments in the area of social development, the means to achieve those commitments had been drastically reduced. Official development assistance continued to decline. The goal of contributing new and additional resources for the execution of the plans of action adopted at the major conferences still was not a priority. At the same time, the debt problem remained a matter of concern. The executing agencies of operational activities for development, such as UNDP, the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF) lacked the necessary resources to fulfil their mandate. An in-depth review of the concept of official development assistance was necessary in order to adapt it to new realities within the framework of a true partnership for development. He hoped that the United Nations Conference on the Financing of Development, which was scheduled for 2001, would provide an opportunity for a thorough examination of that problem and the definition of a strategy for recovery.

53. His delegation remained convinced that achieving sustainable development mainly depended on efforts made at the national level. It was up to each State to create domestic conditions conducive to economic growth within a framework of social justice and environmental protection. However, market mechanisms could not be entirely relied on: unchecked liberalism had its limits, as the current crisis showed. In the final analysis, the State continued to be the guarantor of the security and stability of the economic and social order.

54. In the case of Africa, it was time to change the simplistic idea people had of that continent. The mistaken and unfair notion that it was a zone of conflict requiring humanitarian assistance sowed confusion among foreign investors and was damaging to most African States. If the international community wished to help Africa, it should establish a fairer world economic order, seek a viable and lasting solution to the debt problem, abide by the agreed rules of trade and establish a mutually advantageous partnership with the African countries.

55. **Mr. Svetogorsky Marino** (Uruguay) said that, despite the adverse effects of the recent financial crisis, which had had repercussions on Uruguay's economy, Uruguay's economic policy objectives remained those of improving conditions for achieving sustained economic growth, raising living standards and reducing inflation. Uruguay had maintained a policy of opening up its economy by eliminating various restrictions and reducing import duties, which had resulted in a major increase in foreign trade. Since the establishment of the Southern Common Market (MERCOSUR), Uruguay had adjusted various aspects of its trade policy in order to become a member of the Customs Union and establish a common market. Its main strategy for

strengthening economic and trade ties was based on negotiations with the other countries in the hemisphere with a view to establishing a Free Trade Area of the Americas, and on other negotiations being conducted by MERCOSUR with the European Union, the Andean Community and the Central American countries.

56. His delegation reaffirmed the validity of the principles of universality and eligibility for countries receiving international cooperation; it therefore fully supported the work of the United Nations Development Programme (UNDP), which remained the principal source of technical cooperation at the global level. In Uruguay, UNDP was administering a programme covering 75 projects at a total cost of $175 million; most of the funding came from the national budget.

57. His delegation did not agree with the way that, in certain circumstances, environmental considerations were being used in negotiations in the World Trade Organization (WTO) for protectionist purposes as a new means of limiting exports from the developing countries. The negotiations on agriculture that WTO would soon hold were of paramount importance for the process of international agricultural trade reform. The aim of that process should be to introduce the same rules and regulations into the agricultural sector as applied to trade in other goods. It was unacceptable that the agricultural sector should be pushed into the background in multilateral trade negotiations. Agricultural subsidies in the developed countries were at the root of the price distortions and instability in international markets, and that in turn seriously affected agricultural producers in the developing countries.

58. For Uruguay, combating poverty was the biggest problem to be tackled in the next century and was an absolute ethical, social, political and economic imperative. Moreover, Uruguay believed that any development policy should be imbued with a profound sensitivity towards culture and should draw its inspiration from it. His delegation therefore supported the efforts of the United Nations Educational, Scientific and Cultural Organization (UNESCO) to intensify international cooperation on a cultural policy that would improve the developing countries' access to science and technology and increase their opportunities for promoting scientific research.

59. The commemoration of the twentieth anniversary of the adoption of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries was timely since, given the fundamental changes taking place in international economic relations, it was becoming more and more necessary to make the most of opportunities for cooperation among developing countries and to strengthen South-South cooperation. In the face of increasing economic globalization and interdependence, countries' economic success depended on a greater degree of industrial development and access to the latest developments in science and high technology, and his delegation hoped that the United Nations Industrial Development Organization (UNIDO) would continue to contribute to the formulation of effective development policies. It was necessary to establish a new form of technical cooperation that was mutually beneficial and motivated by a greater spirit of solidarity and burden-sharing among the donor countries. It was time for the international community to realize that the resources allocated for those purposes must be used in a more rational manner since the disparities were not only harming human lives but were also jeopardizing the prospects for sustained economic growth.

60. **Mr. Levi** (Secretary-General, South Pacific Forum) said that the Pacific States viewed the new millennium with both apprehension and hope since they saw ahead of them great challenges as well as enormous opportunities. In the light of the rapid changes taking place throughout the world, one had to wonder how small, isolated communities could achieve meaningful participation in the world economy with scant natural resources and inadequate infrastructures, and how they could adapt advances in technology, education, medicine and commerce to their own particular circumstances.

61. The rapid changes in the global context had compounded the fragility of small island States, which was not restricted to economic factors. The purely economic index currently in use for measuring vulnerability did not adequately reflect those States' vulnerability to natural disasters and such external threats as the increasing use of small islands for illicit drug trafficking or money-laundering, which were on the rise as a result of technological progress. In 1997, the leaders of the South Pacific Forum had adopted the Aitutaki Declaration on Regional Security Cooperation, which urged countries to adopt a coordinated regional approach to deal with threats to the security of the region posed by natural disasters or threats to national integrity and independence arising from unlawful activities.

62. The Forum commended the United Nations, the Commonwealth Secretariat, the World Bank and the countries of the region on their efforts to develop a comprehensive vulnerability index, particularly one applicable to small island developing States. The index should include environmental and capacity considerations that could be included among the criteria for determining least developed country status, particularly for granting aid

on favourable terms and for preferential trade treatment. The Forum had requested that any decision to take any country off the list of least developed countries should be deferred until an acceptable vulnerability index was developed and could be taken into account in classification decisions.

63. Environmental issues, including climate change, sea-level rise and environmental degradation from nuclear testing, had always figured prominently on the Forum's agenda. There was no point in speaking of sustainable development when some countries members of the Forum faced the prospect of being submerged by the sea in the not too distant future, and atolls were being polluted by nuclear tests. Climate change remained another cause for concern, particularly with regard to the impact of greenhouse gas emissions on rising sea levels and changing weather patterns, which threatened the very existence of some low-lying island nations. The Forum stressed the urgent need to develop procedures and time-frames for achieving wider participation in efforts to limit and reduce emissions. While it was true that developed countries must take the lead on that issue, he reiterated that the problem was a global one and required a global response and ongoing cooperation by all countries. The Kyoto Protocol had been a significant first step towards effective global action to combat climate change. He urged all countries to sign the Protocol and to ratify it as soon as possible. The Forum also attached great importance to the fulfilment of the commitments agreed to in Kyoto, and urged all annex I parties to the Convention to take urgent action in that regard. Adequate resources must be generated so that small island developing States could implement the full range of adaptation measures.

64. He reiterated the Forum's commitment to the Barbados Programme of Action for the Sustainable Development of Small Island Developing States and its desire to participate in the international activities planned for 1999, including the donor conference and the special session of the General Assembly on small island developing States. Technical and resource limitations made it difficult for some small island States to monitor external issues related to the preparations for those meetings. In order to facilitate communication with the rest of the world, they were considering a proposal to create a means of access to the Internet through the Small Island Developing States Information Network (SIDSNET) which would facilitate the exchange of information and experiences and the establishment of sustainable development activities in the region.

65. The countries of the South Pacific region were committed to participation in the global economy and had taken major strides in reforming their economies. In 1997, the economic ministers of the countries members of the Forum had adopted an action plan for economic reform and the creation of an enabling environment for private-sector development. They were working to establish a free trade area among members of the Forum, which could form the basis for integration into the global economy. To that end, the South Pacific Forum had requested observer status in the World Trade Organization (WTO) General Council.

66. **Mr. Petrella** (Argentina), referring to the current international economic crisis, said that the countries most affected by the crisis should understand that the promotion of growth and stability was contingent on the existence of open markets that would allow increased exports, sustained flows of investment capital, the promotion of domestic savings and the continuation of structural reforms. In order to achieve those goals, a dialogue on the development of a new trade and financial system should be established between the United Nations, WTO and the Bretton Woods institutions. The United Nations study on human development could offer international financial institutions a different perspective on the current economy's real impact on people's daily lives by considering society as a whole, and not merely its financial aspects.

67. For example, in the area of international trade, the progress achieved in Marrakesh had been adversely affected by protectionist trends and increased recourse to such unfair practices as subsidies. At the same time, the decline in the prices of the principal agricultural and industrial products had been detrimental to countries whose exports were primarily commodities. With regard to the financial crisis as such, some advocated greater control of financial flows, particularly short-term financial flows, while others believed that that would discourage foreign investment in developing countries. In any case, the international financial institutions must find ways of limiting the instability of capital markets. The International Monetary Fund (IMF) had agreed to implement such policies, and the rapid replenishment of its resources through the payment of pending quotas and the adoption of a new approach to lending would improve its capacity for preventive action. The timeliness of establishing a body responsible for coordinating those issues, in close cooperation with the Group of Seven and with the participation of some countries with developing economies and the private sector, had been pointed out. Such action would be in keeping with the Secretary-General's desire for civil society to participate in the development of the growth policies proposed by international bodies and would institutionalize the dialogue between Governments and the private sector.

68. Until the causes of the current vulnerability of the international economy were determined, it should not be

forgotten that the adoption of sound macroeconomic policies and the implementation of far-reaching institutional reforms were essential for the achievement of comprehensive and equitable social and economic progress. The countries of Latin America and the Caribbean had made sustained efforts to consolidate their financial situation, contain the fiscal deficit and create an environment conducive to foreign investment; that had helped to prevent the crisis from spreading. The challenges of globalization made it necessary for Latin America and the Caribbean to complement sound macroeconomic policies with strengthened democracy, respect for human rights, good governance and fiscal discipline.

69. As the President of Argentina had stated at the Annual Meeting of IMF, the Argentine Government's commitment to an open economy, deregulation and institutional reform had enabled it to counteract the effect of external factors on the functioning of its real economy. That was why its national economy had remained dynamic even in the current unfavourable international climate. It was likely that, in 1998, Argentina would be the country with the least need to revise its anticipated growth rate of approximately 5 per cent. The international crisis had not affected direct foreign investment, which between 1990 and 1997 had reached $28 billion, almost 50 per cent of the total for the MERCOSUR countries. Unlike what had occurred during the 1995 Mexican crisis, reserves had continued to increase and had reached $23 billion in June 1998, an increase of between 10 and 15 per cent over the levels that had existed prior to the Asian crisis. During the first half of 1998, official debt had accounted for 31.7 per cent of Argentina's gross domestic product (GDP), a percentage compatible with the common target established for countries of the European Union (60 per cent) in the Maastricht Treaty. Short-term debt was also not very burdensome, thanks to a strategy for rescheduling debt payments and diversifying external funding sources. Institutional changes in the banking sector, the establishment of a safety net for contingencies and the updating of oversight standards had provided reasonable protection against systemic crises. In the area of government expenditure, the $82 billion budgeted for 1998 accounted for 22.7 per cent of Argentina's GDP, a relatively low figure in view of the fact that government expenditure in some developed countries was as high as 40 or 50 per cent of their GDP. While strategies were not transferable and each country must implement its own policies according to its particular situation, globalization made it necessary for countries to meet challenges not only through international assistance but also by developing their own responses and defence mechanisms.

The meeting rose at 6 p.m.